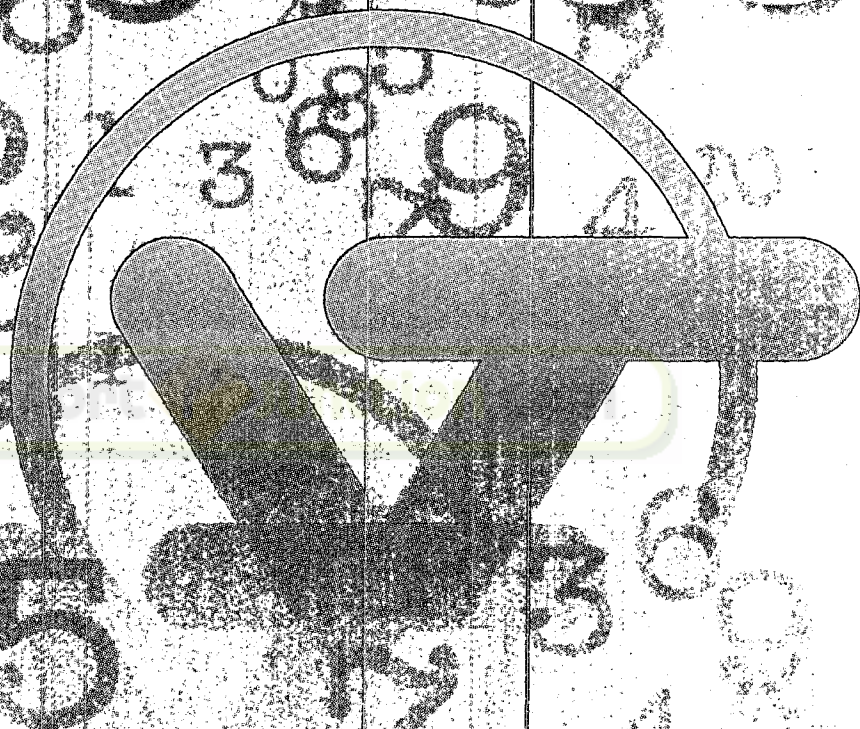




ANNUAL REPORT & ACCOUNTS



Vindhya Telelinks Ltd.

VINDHYA TELELINKS LIMITED

ANNUAL REPORT 2007-08

BOARD OF DIRECTORS

SHRI R.S.LODHA

Chairman

SHRI J.VEERARAGHAVAN

SHRI S.K.MISRA

SHRI R.C.TAPURIAH

SHRI D.R. BANSAL

SHRI H.V.LODHA

SHRI PRACHETA MAJUMDAR

SHRI Y.S.LODHA

Wholetime Director

AUDIT COMMITTEE

SHRI PRACHETA MAJUMDAR

Chairman

SHRI J.VEERARAGHAVAN

SHRI S.K.MISRA

SHRI D.R.BANSAL

PRESIDENT (COMMERCIAL) & SECRETARY

SHRI R.RADHAKRISHNAN

AUDITORS

S.R.BATLIBOI & CO.

Chartered Accountants

SOLICITORS

INTERNATIONAL TRADE LAW CONSULTANTS

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

UDYOG VIHAR

P.O.CHORHATA

REWA - 486 006 (M.P.)

IS / ISO 9001: 2000





NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at Udyog Vihar, P.O.Chorhata, Rewa (M.P.) on Thursday; the 14th August, 2008 at 11 a.m. to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2008, Profit and Loss Account for the year ended on that date, and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri S.K.Misra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Pracheta Majumdar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration and reimbursement of out-of-pocket expenses as the Board may decide, based on the recommendation of the Audit Committee.

Registered Office:
Udyog Vihar,
P.O.Chorhata,
Rewa - 486 006 (M.P.)
May 7, 2008

By order of the Board

R.Radhakrishnan
President (Commercial) & Secretary

NOTES FOR SHAREHOLDERS' ATTENTION:

- (a) A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND PROXY NEED NOT BE A SHAREHOLDER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING.
- (b) The Register of Beneficial Owners, Register of Shareholders and Share Transfer Books of the Company shall remain closed from Friday, the 8th August, 2008 to Thursday, the 14th August, 2008 (both days inclusive).
- (c) Shareholders are requested to notify immediately the changes, if any, in their registered addresses alongwith PINCODE Number-
 - to their Depository Participants in respect of equity shares held in electronic form (Demat Account); and
 - to the Company or its Registrar and Share Transfer Agents viz. M/s Intime Spectrum Registry Ltd. (Unit: Vindhya Telelinks Ltd.) C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai - 400 078 in respect of equity shares held in physical form.
- (d) Shareholders are requested to note that dividends which remain unclaimed/unencashed for a period of 7 years from the date of transfer to the Unpaid Dividend Account, will be transferred by the Company to Investor Education & Protection Fund (IEPF) pursuant to the provisions of Section(s) 205A and 205C of the Companies Act, 1956. Further, under the provisions of Section 205C of the Companies Act, 1956, no claims by the shareholders shall lie against the IEPF or the Company for the Unclaimed Dividend transferred to IEPF and no payments shall be made in respect of any such claims. Shareholders who have so far not encashed their dividend warrants for the financial year(s) ended 31st March, 2001 and 2002, are therefore requested to seek issuance of demand draft in lieu of Unencashed/Unclaimed Dividend Warrant(s) by writing to the Company or Company's Registrar and Share Transfer Agents viz. M/s Intime Spectrum Registry Limited.
- (e) Additional information pursuant to Clause 49 of the Listing Agreement(s) with Stock Exchanges, on Directors recommended for re-appointment at the forthcoming Annual General Meeting, are given in the Annexure to the Notice.
- (f) Shareholders/Proxies are requested to deposit the Attendance Slip duly filled in and signed for attending the meeting. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. Corporate Shareholders intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.

ANNEXURE TO NOTICE

Details of Directors seeking re-appointment in ensuing Annual General Meeting scheduled to be held on 14th August, 2008

Name	Shri S.K.Misra	Shri Pracheta Majumdar
Date of Birth	28.04.1933	15.08.1944
Date of Appointment	27.10.2004	27.10.2004
Expertise in specific functional areas	Retired Senior IAS Officer who has served as Secretary to the Govt. of India including Principal Secretary to the Prime Minister.	Mechanical Engineer and Management Advisor by profession. He is having vast experience in diverse fields viz. design and project, management of chemicals, petrochemicals and fertilizer plants. Has served Hindustan Unilever Ltd. in a Senior position as also Managing Director of CEAT Tyres Ltd.
List of outside Directorship held	None	Birla Corporation Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Member – Audit Committee	Chairman – Audit Committee Member – Share Transfer-cum-Investor Grievance Committee
Chairman/Member of the Committee of the Board of Directors of other Public Companies	—	Chairman – Audit Committee of Birla Corporation Ltd.
Shareholding (both own or held by/for other persons on a beneficial basis), if any, in the paid up equity share capital of the company	NIL	NIL

NOTE: Number of other Directorships held by the Directors, as mentioned above, do not include alternate directorships and directorships held in foreign companies, Section 25 companies and Indian private limited companies besides trustee/membership of managing Committees of various trusts and other bodies, and are based on the latest declarations received from the Directors. The details of Committee Membership/Chairmanship is in accordance with revised clause 49 of the Listing Agreements and reflects the Membership/Chairmanship of the Audit Committee and Shareholders'/Investors' Grievance Committee alone of all other Public Limited Companies.



Directors' Report

TO THE SHAREHOLDERS

Your Directors have the pleasure of presenting their Annual Report, together with the Audited Financial Statements of the Company for the year ended March 31, 2008.

ACCOUNTS & FINANCIAL MATTERS

	2007-08 Rs.in lacs	2006-07 Rs.in lacs
Turnover (Gross)	23989.38	5739.93
Other Income	837.98	802.15
	24827.36	6542.08
The year's working shows a Gross Profit (after Interest) of -	718.21	615.13
Less: Depreciation / Amortisation	451.28	327.91
Profit before Tax	266.93	287.22
- Provision for Tax (Net of excess Provision written back)	-	1.39
- Deferred Tax (Credit)	(32.42)	(20.84)
- Fringe Benefit Tax	13.00	15.00
Net profit	286.35	291.67
Credit Balance brought forward	463.33	171.66
Surplus carried to Balance Sheet	749.68	463.33

Your Directors regret their inability to recommend any dividend for the year under consideration.

GENERAL & CORPORATE MATTERS

During the year under review, your Company's performance has improved due to higher sales volume, favourable product mix and introduction of new products supported by a good share of business on the Jelly Filled Telephone Cable (JFTC) tender floated by BSNL coupled with higher volumes of sales from private telecom operators. The bulk order received from BSNL for JFTC enabled the Company to register a significant growth in turnover and the gross turnover stood at Rs.23989.38 lacs during the year under review as against Rs.5739.93 lacs in the previous year, an increase of 318%. The JFTC produced by your Company has also been well received in Europe & Middle East regions and further volumes on exports towards repeat orders are on the anvil. Your Company earned a gross profit (after interest) of Rs.718.21 lacs as compared to Rs.615.13 lacs during the previous year. This is noteworthy considering extreme volatility and unrelenting upward bias in the prices of commodity raw-materials where the significant part of the increase could not be passed on to the customers. Further, the year witnessed sharp appreciation of India Rupee vis-à-vis US Dollar which disturbed the price parity of imported finished products vis-à-vis locally produced products putting pressure on margins.

Plagued with lower demand and large idle capacities, JFTC producers are not enjoying any major advantage on pricing flexibility and almost all players, irrespective of size are just breaking even and are only able to recover their variable costs and a part of their fixed costs. This situation will prevail and to circumvent this, your Company has put in lot of efforts towards diversification including Turnkey Services and the results of the same will be apparently visible in the immediate financial year.

In the optic fibre cable business, your Company supplied cables to renowned customers like Bharat Sanchar Nigam Ltd., Bharti Airtel, Reliance, Idea Cellular, etc. and improved its market share to a considerable extent. Having realised the profound changes undergoing in the telecommunication industry, your Company has already revisited its business models to ensure better margins and lower risk by developing various new products in the optic fibre cable business during the year under review. Your Company has also identified suitable provider(s) of critical hardware and related portfolio products for Fiber-To-The-Home (FTTH) and broadband access solution matched to the local market needs. The Company has entered into Memorandum of Understanding with a leading Overseas Global player for FTTH components with the business aims of unlocking new opportunities and achieving additional revenue generations. An evaluation "network readiness" at the World Economic Forum has ranked India 109 out of 127 when it came to the level of information communication technology penetration among individuals and has recommended massive rollout of high speed data networks. Your Company is well poised to take optimum advantage of this opportunity.

During the year under review, your Company improved its status as Part I vendor for supply of Quad Cable to Railways and as on March 31, 2008 enjoys a sizable order booking for supply of Quad Cable to Railways. The other new products like Railway Signaling Cable, Composite Cable, Data Cable, Tinned Copper, FRP Rod, Aerial Bunch Cable have already enabled the Company to move forward and attain a significant market share in the immediate future.

In a bid to derisk the revenue model, the induction of EPC (Engineering, Procurement & Construction) services in the last quarter of the year will go a long way for your Company to add its value chain in the areas of power and telecommunication sectors to a great extent. The potential, growth and financial viability of the EPC Division is enormous with the rapid growth of economy in recent years specifically in the areas of providing infrastructure Turnkey Projects. Your Company already positioned to leverage the combination of Group



Companies' technologies with the new Division having expertise in the related areas, will be targeting specific project segments having high growth potential and the new division is expected to generate a reasonable revenue and profitability in the immediate future.

Apart from the above, by continuously upgrading and modernising the production facilities and with a specific focus on reduction in the cost of production by initiating and implementing various measures in all the areas, your Company will be in an advantageous position to become a competitive player in a market driven by high cost of production and cutthroat competition.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the Management Discussion and Analysis, Report on Corporate Governance and a certificate by the Wholtime Director (CEO) confirming compliance by all the Board members and Senior Management Personnel with Company's Code of Conduct and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors to the best of their knowledge and belief and according to the information and explanation obtained by them, state that;

- in the preparation of the Annual Accounts for the year ended March 31, 2008, the applicable accounting standards have been followed;
- the Company has selected such accounting policies, applied them consistently, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year 2007-08 and of the profit for the year ended March 31, 2008;
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the attached Annual Statement of Accounts for the year ended March 31, 2008 have been prepared on a 'going concern' basis.

JOINT VENTURE

In spite of depressed market conditions, Birla Ericsson Optical Ltd., a venture promoted by your Company in association with Universal Cables Ltd. and Ericsson Cables AB, Sweden has shown a favourable trend during the year under review due to higher sales and profit oriented business management.

INDUSTRIAL RELATIONS

Industrial relations remained cordial throughout the year. Your Directors place on record their deep appreciation of the contribution made by the employees at all levels.

The Company continues to accord a very high priority to both industrial safety and environmental protection and these are on going process at the Company's plant and facilities. As a recognition of these objectives, the entire range of activities of the Company continue to remain certified to the requirement of international standard ISO 14001:2004 by the Det Norske Verita.

DIRECTORS

Shri S.K.Misra and Shri Pracheta Majumdar retire from the Board by rotation at the ensuing Annual General Meeting and, being eligible, offers themselves for re-appointment.

AUDITORS

Messrs S.R.Batliboi & Co., Chartered Accountants, retire as Auditors of the Company and, being eligible, offer themselves for re-appointment.

The Notes on Accounts read with the Auditors' Report are self explanatory and therefore, do not call for any further comments or explanations.

Messrs D.Sabyasachi & Co., Cost Accountants, have been appointed as Cost Auditors for Cost Audit in respect of Cables.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard (AS)-21 "Consolidated Financial Statements" read with Accounting Standard (AS)-27 "Financial Reporting of Interests in Joint Venture", the Consolidated Financial Statements form part of the Annual Report. These Group Accounts have been prepared on the basis of audited financial statements received from Subsidiaries and a Joint Venture Company.

SUBSIDIARY COMPANIES

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the documents relating to Subsidiary Companies as provided in Section 212(1) of the Companies Act, 1956 have not been attached with the Balance Sheet of the Company. The Company will make these documents available upon request by any member of the Company interested in obtaining the same. These documents will also be kept at the Registered Office of the Company and of the respective Subsidiary Companies for inspection by any member of the Company.

PARTICULARS OF EMPLOYEES

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.



ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made therein, the concerned particulars relating to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo are given in Annexure, which is attached hereto and forms part of the Directors' Report.

ACKNOWLEDGEMENT

The Board desires to place on record its grateful appreciation for the excellent assistance and co-operation received from the State Government and continued support extended to the Company by the bankers, investors, suppliers and esteemed customers and other business associates.

Yours faithfully,

R.S.Lodha	Chairman
J.Veeraraghavan	} Directors
S.K.Misra	
R.C.Tapuriah	
D.R.Bansal	
H.V.Lodha	
Pracheta Majumdar	
Y.S.Lodha	Wholetime Director

New Delhi, May 7, 2008

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ANNEXURE

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2008.

(A) CONSERVATION OF ENERGY

The Company adopted following measures on energy conservation:

- Energy saving by continuously maintaining unity Power Factor.
- Installation of new Automatic Power Factor correction panel for DG Sets to improve load factor of DG power for optimum utilization of Energy.
- Putting off one Transformer by load optimization.
- Recovery of Start up/Colour change PVC by use of PVC granulator.
- Engineering changes for tandem binder application, laying up, Jelly Filling process for Quad Cables to minimize power consumption.
- Installation of smaller Melting/Holding Tank on one Drum Twister Line to save on energy.

(B) TECHNOLOGY ABSORPTION**I. Research and Development (R&D)**

- | | |
|---|--|
| 1. Specific areas in which R&D carried out by the Company | (a) Development of DDF (36 Pair) Cables for customer needs.
(b) Development of Railway Signaling Cables.
(c) Development of Aerial Bunch Cables for Power distribution.
(d) Re-engineering of processes and process equipment for optimum product quality and cost effectiveness. |
| 2. Benefits derived as a result of the above R&D | (a) Opportunity to Compete in Domestic & International Market.
(b) Technology upgradation.
(c) Enhanced product range. |
| 3. Future plan of action | Continue new product development based on evolving industry need, upgradation of process and equipment, quality improvements of existing product offering. |
| 4. Expenditure on R&D | R&D expenditure have not been accounted for separately. |

II. Technology absorption, adaptation and innovation

- | | |
|--|--|
| 1. Efforts, in brief, made towards technology absorption, and innovation | The technology being used for manufacture of Copper Cables and Optical Fibre Cables is fully absorbed. New innovations in process control, product development, cost reduction and quality improvements are being made on continuous basis looking to the market requirements. |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. | New product development, cost reduction and productivity improvement. |

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of foreign exchange earnings and outgo are contained in Schedule 22 [14.2, 14.3 & 14.4] respectively annexed to and forming part of the Accounts.

R.S.Lodha	}	Chairman
J.Veeraraghavan		
S.K.Misra	}	Directors
R.C.Tapuriah		
D.R.Bansal		
H.V.Lodha		
Pracheta Majumdar		
Y.S.Lodha		Wholetime Director

New Delhi, May 7, 2008



Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is presently engaged in the business of manufacturing and sale of telecom cables comprising of Jelly Filled Telephone cables(JFTC), Optical Fibre Cables(OFC) including Fibre Ribbon and has added a new turnkey Division (Engineering, Procurement & Construction) in the year under review.

The JFTC industry has been continuously facing margin pressure over the past few years due to excess capacity, poor demand, intense competition and rising raw material prices, mainly on account of copper. The industry which was dependant on the two state owned players, BSNL and MTNL for the bulk of demand has to cut short its capacity utilization to miniscule levels, due to the aggressive rollout of wireless net work and lower demand for fixed line services. Poor business in the telecom cable segment over the last few years have resulted in most segment players choosing to diversify into allied businesses like manufacture of power cables and telecom equipments, etc.

The demand for OFC has been growing at phenomenon pace in the last couple of years driven by inter connection of mobile networks using OFC, laying of national long distance network and rollout of broadband network by the government as well as private telecom operators. In the next year Indian market is expected to grow exponentially as compared to the global market growth of 10% and will be driven by last mile Access Networks and anticipated higher off-take by BSNL for high Fibre Ribbon type OFC, which is expected to grow upto 576 Fibre Count. Increase in OFC off-take depends on the success of Broadband Services introduced by Operators and Expansion Networks by Reliance, Bharti & VSNL in areas which are till now covered by BSNL only.

With the rapid growth of the economy in recent years the importance and urgency of removing the infrastructure constraints have increased and the Government's policy has changed over the past two decades under the pressure of rising gaps between demand and supply of infrastructure and the deteriorating quality of infrastructure assets. As the Government's focus sustained budgetary allocations, and increased funding by international finance institutions, etc. are resulting in several infrastructure projects in India, the Company has started capitalizing on the attractive growth opportunities in Power and Telecommunication sectors by concentrating on EPC contracting and turnkey solutions on the specific target segments having high growth potential during the year under review.

PRODUCT-WISE PERFORMANCE

Jelly Filled Telephone Cables (JFTC)

For the financial year 2007-08, BSNL tendered for 71.41 LCKM and your Company bagged 9.9 LCKM (13.9%) and supplied the stipulated quantity of materials within the delivery schedule. In the next financial year the tender from BSNL may be in the region of 70 LCKM and your Company is confident of expecting a substantial volume of JFTC business of BSNL & MTNL with a reasonable improvement in the average price realization inspite of the unabated spike in the major inputs. During the year under review your Company has increased its share of supply to private telecom operators, mainly Bharti Airtel and supplied more than 4.1 LCKM, which is a substantial increase compared to the previous year and has continued to remain as one of the most preferred vendors of Bharti Airtel. Apart from the above your Company has maintained its share in the JFTC business by supplying to other telecom users and continued to concentrate on the untapped export market.

In the year 2007-08 your Company introduced new products like Aerial Bunch Cable, Signaling Cable, Composite Cable, Specialty Copper Cable, Tinned Copper, FRP Rod, etc. and plans to derisk the business model by adding new products range with a product mix improvement and by broadening geographical exposure and customer profile. Your Company is in the forefront and developed a specialty Composite (Hybrid) Copper Quad and Optical Fibre Cable – 8 Fibres & 6 Quad which can be scaled upto 24 Fibres also and has participated in the first ever tender floated by Western Railways.

Optical Fibre Cables (OFC)

It is clear from the policy of BSNL and as is the Trend Worldwide, Copper cables are being replaced with Optical Fiber Cables. Fibre to the Curb (FTTC) & Fibre to the Home (FTTH) as well as laying of OF Cables Intracity & Intercity by BSNL, MTNL and Private Basic Operators have led to surge in demand of these cables. Increase is mainly attributed to formulation of Broadband Policy, comparatively higher demand from BSNL & other operators and higher off-take of High Count Ribbon OF Cable from BSNL. Also telecom operators are deploying OFC in Access Networks for Metropolitan cities besides expanding networks in smaller cities and towns.

Increase in OFC off-take depends on the success of Broadband Services introduced by Operators and Networks expansion by leading private sector service providers in areas which are till now covered by BSNL only. With the Department of Telecommunications clearing the decks for the entry of six new operators and the expansion of three existing ones, the world's fastest growing telecom market is heading towards blistering competition. Further under UN Service Obligation Fund (USOF) the Telecom Operators in the country are expected to provide telecommunication facility in rural and far-flung areas. Under this scheme, Telecom Operators are expected to float their new requirements in the coming future and your company is geared up to meet this requirement as well.

Despite the increase in demand of OFC, there will not be any significant improvement in the domestic OFC prices and the bargaining power of buyers and the existence of overcapacity will constrain the ability of domestic players to resort to any considerable price hikes in the near future.

EPC Contracting/Turnkey Services

Under the fast changing business scenario with the customers demanding for a one stop solution for their projects, it is imperative for any telecom operator to envisage a turnkey solution for their telecommunication cable network requirement. Keeping this in view, the Company



has taken a strategic decision to participate in turnkey projects which eventually will lead to additional revenue opportunities by cross-marketing its business to the customers besides helping in retention of the customers under the changed business environment. The Company's decision to diversify into EPC contracting and providing integrated turnkey solution for telecom and power sector will also enhance the business through value addition. To this end, entry into the identified growth areas in power and telecommunication sectors within which the Company and Group's other entities are engaged in equipment manufacturing and supplies, provides the head start to it in each such sector. The Company therefore, intends to pursue the advantages associated with entering into EPC/Turnkey areas in order to achieve a dominant position in the manufacturing business as a total solution provider in order to realize the specific advantages in the form of higher margin and the flexibility to grow and allocate resources to sectors which offer more attractive margins besides diversifying the revenue streams.

OVERALL REVIEW

In the year 2007-08 your Company moved ahead from consolidating its position to a significant player in the PIJF cables and OF cables market and retained its major customer base. The new products which were developed during the year under review will go a long way in attracting niche market and will generate a sizeable turnover. Your Company is confident that the diversification into the newer area of undertaking EPC/Turnkey contract(s) will strengthen the operations of the Company in value chain for value addition and this is possible with a strong dedicated team already inducted in the Company having expertise in the related areas.

FINANCIAL REVIEW

- o The gross turnover increased by approx. 318% to Rs.23989.38 lacs in 2007-08 as compared to Rs.5739.93 lacs in the previous year mainly due to significantly higher turnover of both JFTC & OFC.
- o The aggregate other income slightly increased to Rs.837.98 lacs as against Rs.802.15 lacs in the previous year mainly because of higher dividend income on long term investments.
- o The Company could achieve a gross profit before depreciation of Rs.718.21 lacs as against Rs.615.13 lacs mainly due to operational efficiency including increase in other income, inspite of a spurt in the material cost.
- o The financial expenses at Rs.335.70 lacs (previous year Rs.44.61 lacs) are higher compared to the previous year due to higher requirement of working capital facilities.
- o The additions to the fixed assets of Rs.367.87 lacs (including Rs.261.96 lacs capital work in progress) during the year mainly consist of capital expenditure incurred for modernization and upgradation, installation of balancing equipments and new testing facilities and certain additions to the furniture, building, office equipment/vehicles and a new ERP installed in the last quarter of the year.
- o The inventory value increased to Rs.4519.62 lacs as on March 31, 2008 from Rs.2087.74 lacs as at the end of the previous year due to increase in raw material inventory and higher work-in-progress & stores & spares.
- o The Debtors level at Rs.3280.96 lacs as at March 31, 2008 as compared to Rs.636.77 lacs as at March 31, 2007 has increased substantially in view of comparatively higher sales in the last quarter. However, due to better receivables management during the financial year Debtors level is in a comfortable zone.

OPPORTUNITIES, THREATS & BUSINESS OUTLOOK

With more than 270 million connections, India's telecommunication network is the third largest in the world and the second largest among the emerging economies of Asia. The telecom sector continued to register significant growth during the year and has emerged as one of the key sectors responsible for India's resurgent economic growth. This has been possible due to the supportive Government policies coupled with the private sector initiative. The focus of the policy has been on network expansion, rural telephony, broadband coverage and R&D and on providing an enabling environment for the competitive growth of the sector. Although the country is witnessing sharp expansion in the telecom networks, the developments of telecom networks is mainly dependent on increase in demand for the telecom services, increased usage of information technology, and growing usage of data, internet and other value added services. The liberalization efforts of the Government are evident in the growing share of private sector in total telephone connections, which has increased from 39.2 per cent in 2004 to 72.4 per cent in December, 2007. The growth of wireless services, in particular, has been phenomenal, with number of wireless subscribers growing at a compounded annual growth rate (CAGR) of 87.7 per cent per annum since 2003. Improved affordability of wireless phone has made the universal access objective more feasible. The Universal Service Obligation Fund (USFO) continues to be used to subsidize the developments in the telecom sector in the rural areas and the huge investments planned by telecom operators and increase in the distribution network will improve the demand to some extent for OFC. As the JFTC manufacturers have started diversifying into other businesses, the scenario for OFC appears brighter. However, due to the non-reliable power sector specially in the rural pockets by not meeting the power requirements which is a basic necessity for an efficient access of mobile network may pushdown the wireless line network in those areas for some time.

Telecommunication is a regulated industry and regulatory changes affect both our customers and us. However, as explained above the Government's ambitious targets for telecommunication expansion should see favourable regulatory environment in India.

The customer base in telecommunication cable industry is relatively concentrated. The Company's major customer over the years has been BSNL. The Company has, however, been able to retain and expand customers in Private Sector and is striving hard to expand the product and customer base to meet the growing challenges in the industry.

RISKS AND CONCERNS

The Company is exposed to a variety of risks. Some risks are general to our industry while others are specific. Over time, the Company has countered the risks with relevant, appropriate and commensurate management. Some of the major risks to which the Company is exposed and the Company's policy to reduce the adverse impacts of the same are: